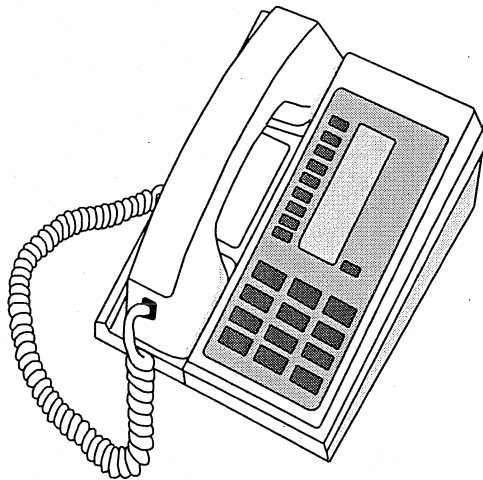


YEAR ENDING 2004

ANNUAL REPORT  
OF  
**Ronan Telephone System**

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PUBLIC SERVICE  
COMMISSION

TELEPHONE UTILITY



TO THE  
PUBLIC SERVICE COMMISSION  
STATE OF MONTANA  
1701 PROSPECT AVENUE  
P.O. BOX 202601  
HELENA, MT 59620-2601

# Telephone Annual Report

## Instructions

### General

1. A Microsoft EXCEL 2000 workbook of the annual report is being provided on computer disk for your convenience. The workbook contains the schedules of the annual report. Each schedule is on the worksheet named that schedule. For example, Schedule 1 is on the sheet titled "Schedule 1". By entering your company name in the cell named "Company" of the first worksheet, the spreadsheet will put your company name on all the worksheets in the workbook. The same is true for inputting the year of the report in the cell named "YEAR". You can "GOTO" the proper cell by using the F5 key and selecting the name of the cell.
2. The workbook contains input sections that are unprotected, and non-input sections that are protected. Cell protection can be disabled or enabled through "TOOLS – PROTECTION – UNPROTECT SHEET" on your toolbar. Formulas and checks are built into most of the templates.
3. Use of the disk is optional. The disk and the report cover shall be returned when the report is filed. There are macros built into the workbook to assist you with the report. An explanation of the macros is on the "Control" worksheet at the front of the workbook. The explanations start at cell A1.
4. All forms must be filled out in permanent ink and be legible. Note: Even if the computer disk is used, a printed version of the report shall be filed. **Please submit one unbound copy of the annual report along with the regular number of annual reports that you submit.** This aids in scanning the report so that it may be published on our web site. The orientation and margins are set up on each individual worksheet and should print on one page. If you elect not to use the disk, please format your reports to fit on one 8.5 by 11 page with the left binding edge (top if landscaped) set at .85, the right edge (bottom if landscaped) set at .4, and the remaining two margins at .5. You may select specific schedules to print – See the worksheet "CONTROL".
5. Unless otherwise indicated, all information required in these schedules shall be from the accounts prescribed in 47 C.F.R. Part 32 and the definitions and instructions therein will apply to this report wherever applicable.
6. Information on financial schedules may be rounded to thousands of dollars for companies with over 5,000 access lines. Companies submitting schedules rounded to thousands should so indicate at the top of the schedule.
7. Where more space is needed or more than one schedule is needed additional schedules may be attached and should be included directly behind the original schedule to which it pertains and be labeled accordingly (for example, Schedule 1A).

8. The information required with respect to any statement shall be furnished as a minimum requirement to which shall be added such further information as is necessary to make the required schedules not misleading.

9. The following schedules should be filled out with information on a total company basis:

Schedules 1 - 4  
Schedule 10  
Schedules 13 - 17  
Schedule 19  
Schedule 20, Page 1 of 2  
Schedules 33 and 34

All other schedules should be filled out with Montana specific data. Financial schedules should include all amounts originating in Montana or allocated to Montana from other jurisdictions.

10. All companies owned by another company shall attach a corporate structure chart of the holding company.

11. The following schedules are not required to be filled out or submitted by companies with less than 5,000 access lines:

Schedule 6  
Schedules 17 and 18  
Schedule 21

12. Schedules that have no activity during the year or are not applicable to the respondent should be marked as not applicable and submitted with the report.

13. Companies with under 5,000 lines may use summary accounts and should leave lines for subaccounts blank. Summary accounts are noted with an asterisk and subaccounts that are not required are noted with a caret.

14. Companies with over 5,000 lines must complete schedules to all required subaccount detail.

15. FCC Form M sheets may not be substituted in lieu of completing annual report schedules.

16. Common sense must be used when filling out all schedules.

### **Specific Instructions**

#### **Schedules 3 through 9**

1. **Schedules 3, 4, and 9** should include all notes to the financial statements required by the FCC or included in the financial statements issued as audited financial statements. These notes should be included in the report directly behind the schedules and should be labeled appropriately (Schedule 3A, etc.).

2. **Schedule 5** may be omitted for companies doing business only in Montana.
3. **Schedule 6** is not required for companies with under 5,000 lines.
4. **Schedule 7** must be completed by all companies. For companies under 5,000 lines, this schedule may be completed on a total state basis. Any such company completing the form on a total state basis shall indicate this fact clearly on the form.
5. **Schedule 8** - Companies with less than 5,000 lines are not required to fill out the intrastate portion. The regulated rate base must be separated from the deregulated rate base but this may be done on a total state basis. Any company so doing shall clearly indicate this on the form.
6. Only accounts designated on **Schedule 8** may be included in rate base. Only companies who have specifically been authorized in a Commission order to include cash working capital in rate base may fill out line 8 on Schedule 8. Cash working capital must be calculated using the methodology approved in the Commission order. The most recent Commission Order, and Docket, specifying cash working capital shall be noted on the schedule.
7. **Schedule 9** - Instructions to complete are similar to those used for the Statement of Cash Flows in the FCC Form M.

#### **Schedule 10**

1. For the purpose of this schedule, nonofficial companies shall include any company in which the respondent has an ownership interest which does not meet the definition of an affiliated company set out in 47 C.F.R. Section 32.9000. This schedule shall not include telecommunications accounts receivable from other customers.

#### **Schedule 11**

1. All amounts listed in Column f that represent individual items for which the higher of cost or market value was in excess of \$50,000 for companies with under 5,000 lines and in excess of \$100,000 for companies with over 5,000 lines must be fully explained in notes to this schedule. The explanation must include the plant description and location, the original cost, the net book cost, the market value, the value at which it was transferred or the price at which it was sold, and the party to which it was transferred or sold.

#### **Schedule 12**

1. Respondents shall list each item amounting individually to \$100,000 or more and report all others in the aggregate.
2. Amounts in Column f relating to individual items exceeding \$50,000 shall be fully explained.

#### **Schedule 15**

1. Line 1 must be completed by all companies for the most recent calendar year. The retention and price/earnings ratios shall be calculated on a year end basis. Enter the actual year end market price in the "Year Ended" row. If the computer disk is used, enter the year end market price in the "High" column.
2. Lines starting at 9 shall be completed for each of the twelve months of the report year for all companies with over 5,000 access lines. Earnings per share and dividends per share shall be

reported on a quarterly basis and entries shall be made only to the months that end the respective quarters (for example, March, June, September, and December.)

**Schedule 19**

1. All companies are required to submit this form. Companies with more than one plan (for example, both a retirement plan and a deferred savings plan) shall complete a schedule for each plan.
2. Companies with defined benefit plans must complete the entire form using FASB 87 and 132 guidelines.
3. Interest rate percentages shall be listed to two decimal places.

**Schedule 20**

1. All changes to the employee benefit plans shall be explained in a narrative on lines 15 and 16. All cost containment measures implemented in the reporting year shall be explained and quantified in a narrative on lines 15 & 16. All assumptions used in quantifying cost containment results shall be disclosed.
2. The schedule shall be filled out using FASB 106 and 132 guidelines.

**Schedule 21**

1. Respondents shall disclose all payments made during the year where the aggregate payment to the recipient was \$25,000 or more. Payments must include fees, retainers, commissions, gifts, contributions, assessments, bonuses, subscriptions, allowances for expenses or any other form of payment for services or as a donation.

**Schedule 23**

1. Respondents shall provide an attached sheet detailing the type and corresponding number of access lines for all entries in Column L (Other).

**Schedule 24**

1. Column (b). For each wire center that has a configuration of "Remote", Column (b) shall also reflect the respective "Host".
2. Column (c). Examples of Types of Switches are: Digital, Step by Step, and Crossbar.

**Schedule 25**

1. This schedule must be completed by all companies for the year following the reporting year.

**Schedule 26**

1. Respondents shall either report construction technicians and splicers as separate categories or footnote the appropriate categories and indicate the number of (1) construction technicians; and (2) splicers.

#### **Schedule 27**

1. Include in column (d) ALL additional forms of compensation, including, but not limited to: deferred compensation, deferred savings plan, profit sharing, supplemental or non-qualified retirement plan, employee stock ownership plan, restricted stock, stock options, stock appreciation rights, performance share awards, dividend equivalent shares, mortgage payments, use of company cars or car lease payments, tax preparation consulting, financial consulting, home security systems, company-paid physicals, subscriptions to periodicals, memberships, association or club dues, tuition reimbursement, employee discounts, and spouse travel.
2. The above compensation items shall be listed separately. Where more space is needed additional schedules may be attached and shall be included directly behind the original schedule to which it pertains.
3. If respondent is claiming protected status of salary information both a proprietary and non-proprietary copy of this schedule shall be filed. On the non-proprietary copy respondent shall indicate which columns respondent maintains are proprietary. A note stating that such information is being provided separately shall be included on the schedule. In no case shall either Column (a) - Name/Position, or Column (g) - Percent Increase Total Compensation, be considered proprietary. Respondent shall provide all requested information on the proprietary copy.

#### **Schedule 28**

1. Respondents shall provide all executive compensation information in conformance with that required by the Securities and Exchange Commission (SEC) (Regulation S-K Item 402, Executive Compensation).
2. Include in column (d) ALL additional forms of compensation, including, but not limited to: deferred compensation, deferred savings plan, profit sharing, supplemental or non-qualified retirement plan, employee stock ownership plan, restricted stock, stock options, stock appreciation rights, performance share awards, dividend equivalent shares, mortgage payments, use of company cars or car lease payments, tax preparation consulting, financial consulting, home security systems, company-paid physicals, subscriptions to periodicals, memberships, association or club dues, tuition reimbursement, employee discounts, and spouse travel.
3. All items included in Column (d) - Other Compensation shall be listed separately. Where more space is needed additional schedules may be attached and shall be included directly behind the original schedule.
4. In addition, respondents shall attach a copy of the executive compensation information provided to the SEC.

#### **Schedule 29**

1. Information from this schedule is consolidated with information from other Utilities and reported to the National Association of Regulatory Utility Commissioners (NARUC). Your assistance in completing this schedule, even though information may be located in other areas of the annual report, expedites reporting to the NARUC and is appreciated.

**Schedules 33 and 34**

1. Respondents shall report all transactions with affiliated companies.
2. Column (c). Respondents shall indicate in column (c) the method used to determine the price. Respondents shall indicate if a contract is in place between the Affiliate and the Utility. If a contract is in place, respondents shall indicate the year the contract was initiated, the term of the contract and the method used to determine the contract price.
3. Column (c). If the method used to determine the price is different than the previous year, respondents shall provide an explanation, including the reason for the change.

**Schedule 35**

1. Respondents shall provide an attached sheet detailing the account and the amount for all entries made to Lines 9 and 16.
2. Only companies who have specifically been authorized in a Commission Order to include cash working capital in rate base may include cash working capital in lines 9 or 16. Cash working capital must be calculated using the methodology approved in the Commission Order. The Commission Order specifying cash working capital shall be noted on the attached sheet.
3. Respondents shall indicate, for each adjustment on lines 30 through 42, if the amount is updated or if it is from the last rate case. All adjustments shall be calculated using Commission methodology.

**Schedule 36**

1. Respondents shall list the amount of tax accrued or paid for the fiscal year attributable to Montana sources for each of the listed taxes

**Schedule 37**

1. Respondents shall list the amount of Universal Service Funds received from Montana and from the federal government.

# Telephone Annual Report

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## General Information

Year: 2004

1.	Legal Name of Respondent:	RONAN TELEPHONE COMPANY A MONT CORP
2.	Name Under Which Respondent Does Business:	RONAN TELEPHONE COMPANY
3.	Date of Incorporation:	JAN. 1, 1971
4.	Address to send Correspondence Concerning Report:	312 MAIN STREET S.W. RONAN MT 59864
5.	Person Responsible for This Report:	ROSA E. TOUGAS
5a.	Telephone Number:	406 676-2751
Control Over Respondent		
1.	If direct control over the respondent was held by another entity at the end of year provide the following:	
	1a. Name and address of the controlling organization or person:	COMMUNITYTEL INC.
	1b. Means by which control was held:	HOLDING COMPANY
	1c. Percent Ownership:	100%

Board of Directors		
Line No.	Name of Director and Address (City, State) (a)	Fees Paid During Year (b)
1	ROSA E. TOUGAS RONAN, MT	3,600
2		
3	PHILIP J. GRAINEY RONAN, MT	
4		
5	ROBERT F. ERICKSON CHARLO, MT	
6		
7	IVAN C. EVILSIZER HELENA, MT	
8		
9	JAY W. PRESTON RONAN, MT	
10		
11	CALVIN S. HARDY RONAN, MT	
12		
13	ROGER W. ROMERO RONAN, MT	
14		
15		
16		
17		
18	<b>Chairman of the Board:</b>	
19	JAY WILSON PRESTON RONAN, MT	
20		

**Officers**

Year: 2004

Line No.	Title of Officer (a)	Department Over Which Jurisdiction is Exercised (b)	Name and Address of Person Holding Office at Year End (c)
1	PRESIDENT	OPERATIONS MANAGEMENT	ROSA E. TOUGAS
2			RONAN, MT 59864
3			
4	VICE PRESIDENT	OPERATIONS MANAGEMENT	JAY W. PRESTON
5			RONAN, MT 59864
6			
7	SECRETARY	LEGAL	PHILIP J. GRAINEY
8			RONAN, MT 59864
9			
10	TREASURER	FINANCIAL	ROBERT F. ERICKSON
11			CHARLO, MT 59824
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**Total Company Balance Sheet**

Year: 2004

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>CURRENT ASSETS:</b>		
2	1120	Cash and Equivalents	334,909	496,626
3	1180	Telecommunications Accounts Receivable - Net	283,613	290,379
4	1190	Other Accounts Receivable - Net	420,141	425,628
5	1200	Notes Receivable - Net		
6	1210	Interest and Dividends Receivable		
7	1220	Materials and Supplies	48,300	36,650
8	* 1280	Prepayments		
9	^ 1290	Prepaid Rents		
10	^ 1300	Prepaid Taxes		
11	^ 1310	Prepaid Insurance		
12	^ 1320	Prepaid Directory Expenses		
13	^ 1330	Other Prepayments		
14	1350	Other Current Assets	66,335	59,957
15		<b>Total Current Assets</b>	<b>1,153,298</b>	<b>1,309,240</b>
16		<b>NONCURRENT ASSETS:</b>		
17	1401	Investments in Affiliated Companies		
18	1402	Investments in Nonaffiliated Companies		
19	1406	Nonregulated Investments		
20	1407	Unamortized Debt Issuance Expense		
21	1408	Sinking Funds		
22	1410	Other Noncurrent Assets NET NON-REG ASSETS	975,544	2,276,872
23	1438	Deferred Maintenance and Retirements		
24	1439	Deferred Charges		
25	1500	Other Jurisdictional Assets - Net		
26		<b>Total Noncurrent Assets</b>	<b>975,544</b>	<b>2,276,872</b>
27		<b>PROPERTY, PLANT, &amp; EQUIPMENT:</b>		
28	2001	Telecommunications Plant in Service	11,472,886	10,845,844
29	2002	Property Held for Future Telecommunications Use	55,022	15,966
30	2003	Plant Under Construction - Short Term	488,762	
31	2004	Plant Under Construction - Long Term		
32	2005	Telecommunications Plant Adjustment		
33	2006	Nonoperating Plant		
34	2007	Goodwill		
35	3100	Accumulated Depreciation	(6,854,835)	(6,308,766)
36	3200	Accumulated Depreciation - Held for Future Use		
37	3300	Accumulated Depreciation - Nonoperating		
38	3400	Accumulated Amortization		
39		<b>Net Property, Plant, &amp; Equipment</b>	<b>5,161,835</b>	<b>4,553,044</b>
40		<b>TOTAL ASSETS</b>	<b>7,290,677</b>	<b>8,139,156</b>

^ Subaccount of account marked with a \*.

**Total Company Balance Sheet**

Year: 2004

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
41		<b>CURRENT LIABILITIES:</b>		
42	4010	Accounts Payable	341,089	302,226
43	4020	Notes Payable	250,000	200,000
44	4030	Advance Billing and Payments		
45	4040	Customer Deposits	14,420	16,044
46	4050	Current Maturities - Long Term Debt		
47	4060	Current Maturities - Capital Leases		
48	4070	Income Taxes - Accrued	32,292	
49	4080	Other Taxes - Accrued	44,702	39,607
50	4100	Net Current Deferred Operating Income Taxes		
51	4110	Net Current Deferred Nonoperating Income Taxes		
52	4120	Other Accrued Liabilities	184,842	140,417
53	4130	Other Current Liabilities		
54		<b>Total Current Liabilities</b>	867,345	698,294
55		<b>LONG-TERM DEBT:</b>		
56	4210	Funded Debt		
57	4220	Premium on Long-Term Debt		
58	4230	Discount on Long-Term Debt		
59	4240	Reacquired Debt		
60	4250	Obligations Under Capital leases		
61	4260	Advances From Affiliated Companies		
62	4270	Other Long-Term Debt		
63		<b>Total Long-Term Debt</b>		
64		<b>OTHER LIABILITIES AND DEFERRED CREDITS:</b>		
65	4310	Other Long-Term Liabilities		
66	4320	Unamort. Oper. Invest. Tax Credits - Net		
67	4330	Unamort. Nonoper. Invest. Tax Credits - Net		
68	4340	Net Noncurrent Deferred Oper. Income Taxes	1,060,200	996,636
69	4350	Net Noncurrent Deferred Nonoper. Income Taxes		
70	4360	Other Deferred Credits	151,841	145,804
71	4370	Other Jurisdictional Liab. and Def. Credits		
72		<b>Total Other Liabilities and Deferred Credits</b>	1,212,041	1,142,440
73		<b>STOCKHOLDERS' EQUITY:</b>		
74	4510	Capital Stock	114,400	114,400
75	4520	Additional Paid-In Capital		
76	4530	Treasury Stock	(10,000)	(10,000)
77	4540	Other Capital		
78	4550	Retained Earnings	5,106,891	6,194,022
79		<b>Total Stockholders' Equity</b>	5,211,291	6,298,422
80		<b>TOTAL LIAB. AND STOCKHOLDERS' EQUITY</b>	7,290,677	8,139,156

## Total Company Income Statement

Year: 2004

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>REVENUES:</b>		
2	5000	Basic Local Service Revenues	1,387,083	1,355,413
3	5080	Network Access Revenues	3,362,256	3,260,910
4	* 5100	Long Distance Message Revenue	80,188	94,731
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue		
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	91,506	79,736
10	^ 5230	Directory Revenue		
11	^ 5240	Rent Revenue		
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue		
14	^ 5270	Carrier Billing and Collection Revenue		
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	13,124	20,832
17		<b>Total Revenues (L.2+L.3+L.4+L.9-L.16)</b>	<b>4,907,909</b>	<b>4,769,958</b>
18		<b>OPERATING EXPENSES:</b>		
19	6110	Network Support Expense		
20	6120	General Support Expense	441,578	541,105
21	6210	Central Office Switching Expense	237,587	285,968
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense	174,317	187,854
24	6310	Information Origination/Termination Expense	1,314	383
25	* 6410	Cable and Wire Facilities Expense	313,888	378,068
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense	144,994	209,667
30	6540	Access Expense		
31	6560	Depreciation and Amortization Expense	568,387	599,937
32	6610	Marketing	67,415	44,598
33	6620	Services	1,294,065	1,042,876
34	6710	Executive and Planning	524,267	485,655
35	6720	General and Administrative	671,895	560,179
36	6790	Provision for Uncollectible Notes Receivable		
37		<b>Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)</b>	<b>4,439,707</b>	<b>4,336,290</b>
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	249,993	221,388
40		<b>Net Operating Income (L.17-L.37+L.38-L.39)</b>	<b>218,209</b>	<b>212,280</b>
41	7300	Nonoperating Income and Expense		
42	7400	Nonoperating Taxes		
43	7500	Interest and Related Items		
44	7600	Extraordinary Items		
45	7910	Effects of Juris. Ratemaking Diff. - Net		
46	7990	Nonregulated Net Income	20,356	(69,407)
47		<b>NET INCOME (L.40+L.41-L.42-L.43-L.44+L.45-L.46)</b>	<b>197,853</b>	<b>281,687</b>

^ Subaccount of the account marked with a \*.

## Montana Total State Income Statement

Year: 2004

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>REVENUES:</b>		
2	5000	Basic Local Service Revenues		
3	5080	Network Access Revenues		
4	* 5100	Long Distance Message Revenue		
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue	SCHEDULE NOT REQUIRED	
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue		
10	^ 5230	Directory Revenue	ALL BUSINESS IS DONE IN MONTANA	
11	^ 5240	Rent Revenue		
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue		
14	^ 5270	Carrier Billing and Collection Revenue		
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue		
17		<b>Total Revenues (L.2+L.3+L.4+L.9-L.16)</b>		
18		<b>OPERATING EXPENSES:</b>		
19	6110	Network Support Expense		
20	6120	General Support Expense		
21	6210	Central Office Switching Expense		
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense		
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense		
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense		
30	6540	Access Expense		
31	6560	Depreciation and Amortization Expense		
32	6610	Marketing		
33	6620	Services		
34	6710	Executive and Planning		
35	6720	General and Administrative		
36	6790	Provision for Uncollectible Notes Receivable		
37		<b>Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)</b>		
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes		
40		<b>Net Operating Income (L.17-L.37+L.38-L.39)</b>		

^ Subaccount of the account marked with a \*.

## Montana Intrastate Income Statement

Year: 2004

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>REVENUES:</b>		
2	5000	Basic Local Service Revenues		
3	5080	Network Access Revenues		
4	* 5100	Long Distance Message Revenue		
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue	THIS SCHEDULE IS NOT REQUIRED	
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue		
10	^ 5230	Directory Revenue		
11	^ 5240	Rent Revenue		
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue		
14	^ 5270	Carrier Billing and Collection Revenue		
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue		
17		<b>Total Revenues (L.2+L.3+L.4+L.9-L.16)</b>		
18		<b>OPERATING EXPENSES:</b>		
19	6110	Network Support Expense		
20	6120	General Support Expense		
21	6210	Central Office Switching Expense		
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense		
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense		
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense		
30	6540	Access Expense		
31	6560	Depreciation and Amortization Expense		
32	6610	Marketing		
33	6620	Services		
34	6710	Executive and Planning		
35	6720	General and Administrative		
36	6790	Provision for Uncollectible Notes Receivable		
37		<b>Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)</b>		
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes		
40		<b>Net Operating Income (L.17-L.37+L.38-L.39)</b>		

^ Subaccount of the account marked with a \*.



## Montana Intrastate Regulated Income Statement

Year: 2004

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>REVENUES:</b>		
2	5000	Basic Local Service Revenues	1,387,083	1,355,413
3	5080	Network Access Revenues	3,362,256	3,260,910
4	* 5100	Long Distance Message Revenue	80,188	94,731
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue		
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	91,506	79,736
10	^ 5230	Directory Revenue		
11	^ 5240	Rent Revenue		
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue		
14	^ 5270	Carrier Billing and Collection Revenue		
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	13,124	20,832
17		<b>Total Revenues (L.2+L.3+L.4+L.9-L.16)</b>	<b>4,907,909</b>	<b>4,769,958</b>
18		<b>OPERATING EXPENSES:</b>		
19	6110	Network Support Expense	441,578	541,105
20	6120	General Support Expense	237,587	285,968
21	6210	Central Office Switching Expense		
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense	174,317	187,854
24	6310	Information Origination/Termination Expense	1,314	383
25	* 6410	Cable and Wire Facilities Expense	313,888	378,068
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense	144,994	209,667
30	6540	Access Expense		
31	6560	Depreciation and Amortization Expense	568,387	599,937
32	6610	Marketing	67,415	44,598
33	6620	Services	1,294,065	1,042,876
34	6710	Executive and Planning	524,267	485,655
35	6720	General and Administrative	671,895	560,179
36	6790	Provision for Uncollectible Notes Receivable		
37		<b>Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)</b>	<b>4,439,707</b>	<b>4,336,290</b>
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	249,993	221,388
40		<b>Net Operating Income (L.17-L.37+L.38-L.39)</b>	<b>218,209</b>	<b>212,280</b>

^ Subaccount of the account marked with a \*.

THIS SCHEDULE IS PREPARED ON A TOTAL STATE BASIS AS ALLOWED IN THE INSTRUCTIONS

**Average Rate Base - Total State**

Year: 2004

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	11472866	10845844
2	3100	Accumulated Depreciation	6854835	6308766
3	2002	Property Held for Future Telecommunications Use	55022	15966
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies	48300	36650
6	4340	Noncurrent Deferred Operating Income Taxes	993865	936679
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)	306485	312471
9		<b>Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)</b>	4033973	3965486

**Average Rate Base - Intrastate**

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	NOT REQUIRED	
2	3100	Accumulated Depreciation		
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies		
6	4340	Noncurrent Deferred Operating Income Taxes		
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		<b>Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)</b>		

**Average Rate Base - Regulated Intrastate**

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	NOT REQUIRED	
2	3100	Accumulated Depreciation		
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies		
6	4340	Noncurrent Deferred Operating Income Taxes		
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		<b>Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)</b>		

RONAN TELEPHONE COMPANY HAS LESS THAN 5000 ACCESS LINES AND REPORTS AVERAGE RATE BASE ON A TOTAL STATE BASIS. RATE BASE IN THE SCHEDULE ABOVE INCLUDES ONLY REGULATED RATE BASE. DEREGULATED RATE BASE HAS BEEN SEPERATED AND IS NOT INCLUDED IN THIS SCHEDULE.

## Statement of Cash Flows

Year: 2004

Line No.	Item Description (a)	Amount (b)	Amount (c)
1	<b>Increase/(decrease) in Cash &amp; Cash Equivalents</b>		
2	<b>Cash Flows from Operating Activities:</b>		
3	Net Income		197853
4	Reconciliation Adjustments:		
5	Depreciation & Amortization	579824	
6	Provision for Accounts Receivable Losses		
7	Deferred Income Taxes - Net	61570	
8	Unamortized Investment Tax Credits (ITCs) - Net		
9	Allowance for Funds Used During Construction (AFUDC)		
10	Change in Operating Receivables - Net	-122715	
11	Change in Materials, Supplies & Inventories - Net	-13767	
12	Change in Operating Payables & Accrued Liabilities - Net	117368	
13	Change in Other Assets & Deferred Credits - Net	149823	
14	Change in Other Liabilities & Deferred Credits - Net	3423	
15	Other (explained on back of this page) (1)	10948	
16	Total Adjustments		786474
17	<b>Net Cash Provided by/(Used in) Operating Activities</b>		984327
18	<b>Cash Inflows/Outflows From Investing Activities:</b>		
19	Construction/Acquisition of Property, Plant & Equipment (net of	-1278422	
20	AFUDC & Capital Lease Related Acquisitions)		
21	Proceeds from Disposals of Property, Plant & Equipment		
22	Investments In & Advances to Affiliates		
23	Proceeds from Repayment of Advances		
24	Other Investing Activities (explained on back of this page) (2)	134337	
25	<b>Net Cash Provided by/(Used in) Investing Activities</b>		-1144085
26	<b>Cash Flows from Financing Activities:</b>		
27	Net Incr./(Decr.) in Short-Term Debt, Original maturity <= 3 mo.	50000	
28	Advances from Affiliates		
29	Repayment of Advances from Affiliates		
30	Proceeds from Issuances of Long-Term Debt		
31	Repayment of Long-Term Debt		
32	Payment of Capital Lease Obligations		
33	Proceeds from Issuing Common Stock/Parent Co. Equity Investment		
34	Repurchase of Treasury Shares		
35	Dividends Paid	-57100	
36	Other Financing Activities (explained on back of this page)		
37	<b>Net Cash Provided by Financing Activities</b>		-7100
38	<b>Effect of Exchange Rate Changes on Cash</b>		
39	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		-166858
40	<b>Cash &amp; Cash Equivalents at Beginning of Period</b>		503974
41	<b>Cash &amp; Cash Equivalents at End of Period</b>		337116

(1) PARTNERSHIP LOSS 10,948

(2) PURCHASE OF OTHER ASSETS (101,607)

INCREASE IN CSV OF LIFE INS( 1,411)

SALES OF SECURITIES 237,355

TOTAL

134,337

## Receivables and Investments-Affiliated &amp; Nonaffiliated Companies

ar: 2004

Line No.	Name of Affiliate or Company (a)	Account 1160 Temporary Investments (b)	Account 1180 Telecom. Accounts Receivable (c)	Account 1181 Accts. Rec. Telecom. Allowance (d)	Account 1190 Other Accounts Receivable (e)	Account 1191 Accounts Receivable Allow. - Other (f)	Account 1200 Notes Receivable (g)	Account 1201 Notes Receivable Allowance (h)	Account 1210 Interest and Dividends Receivable (i)	Account 1401 Investments in Affil. Companies (j)	Account 1402 Investments in Nonaffil. Companies (k)
1	HOT SPRINGS TELEPHONE		3850								
2											
3	RTC ANSWERING LLC		5411							200117	
4											
5											
6											
7											
8											
9											
10											
11											
12											
13											
14											
15											
16											
17											
18											
19											
20											
21											
22											
23											
24											
25											
26											
27											
28											
29											
30	Totals		9261							200117	

## Net Plant in Service - Detail

Year: 2004

Line No.	Account (a)	Description (b)	Beginning of Year Balance (c)	Additions (d)	Retirements (e)	Sales & Transfers (f)	End of Year Account 2001 Balance (g)	Year End Accumulated Depreciation (h)	End of Year Net Plant Balance (i)
1	*	2110 Land and Support Assets	2538267	193541		157238	2574570	1767138	807432
2	^	2111 Land							
3	^	2112 Motor Vehicles							
4	^	2113 Aircraft							
5	^	2114 Special Purpose Vehicles							
6	^	2115 Garage Work Equipment							
7	^	2116 Other Work Equipment							
8	^	2121 Buildings							
9	^	2122 Furniture							
10	^	2123 Office Equipment							
11	^	2124 General Purpose Computers							
12		2211 Analog Electronic Switching	440079				440079	416621	23458
13		2212 Digital Electronic Switching	2831287	380250			3211537	1987240	1224297
14		2215 Electro-Mechanical Switching							
15		2220 Operator Systems							
16		2231 Radio Systems							
17		2232 Circuit Equipment	573771				573771	550772	22999
18	*	2310 Information Orig & Term Equip	36655	1615			38270	32558	5712
19	^	2311 Station Apparatus							
20	^	2321 Customer Premises Wiring							
21	^	2341 Large Private Branch Exchanges							
22	^	2351 Public Telephone Term. Equip.							
23	^	2362 Other Terminal Equipment							
24		2411 Poles	119850				119850	111051	8799
25	*	2420 Cable and Wire Facilities	3630643	206200			3836843	1701382	2135461
26	^	2421 Aerial Cable							
27	^	2422 Underground Cable							
28	^	2423 Buried Cable							
29	^	2424 Submarine Cable							
30	^	2425 Deep Sea Cable							
31	^	2426 Intrabuilding Network Cable							
32		2431 Aerial Wire	63701				63701	63560	141
33		2441 Conduit Systems	611591	2674			614265	224513	389752
34		Totals	10845844	784280		157238	11472886	6854835	4618051

^ Subaccount of the account marked with a \*.

## Analysis of Plant Held for Future Use

Year: 2004

Line No.	Location and Description of Property (a)	Date Included in Account 2002 (b)	Book Cost of Property at Beginning of Year (c)	Additions During the Year (d)	Retirements During the Year (e)	Transfers and Adjustments Charges and (Credits) (f)	Book Cost of Property at End of Year (g)
1	MICROWAVE, FIBER ROUTE & OTHER PROJECTS RONAN, MT	October-04	15966	39056			55022
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30	Totals (Sum L.1 to L.29)		15966	39056			55022

## Average Cost of Long Term Debt

Year: 2004

Line No.	Description (a)	Issue Date (b)	Maturity Date (c)	Principal Amount (d)	Gross Proceeds (e)	Net Proceeds (f)	Net Per \$100 (g)	Outstanding Per Balance Sheet (h)	Yield to Maturity (i)	Annual Net Cost (j)	Amortization of Premium or Discount (k)	Total Cost (%) (l)
1	THIS SCHEDULE IS NOT APPLICABLE											
2												
3												
4												
5												
6												
7												
8												
9												
10												
11												
12												
13												
14												
15												
16												
17												
18												
19												
20												
21												
22												
23												
24												
25												
26												
27												
28												
29												
30	Total											

## Cost of Preferred Stock

Year: 2004

Line No.	Description (a)	Date of Issuance (b)	Method of Offering (c)	Call Redemption Price (d)	Par Value Of Issue (e)	Gross Proceeds Amounts (f)	Net Proceeds Amounts (g)	Net Proceeds Per \$100 (h)	Cost of Money (i)	Principal Outstanding (j)	Annual Cost (k)	Embedded Cost (l)
1	THIS SCHEDULE IS NOT APPLICABLE											
2												
3												
4												
5												
6												
7												
8												
9												
10												
11												
12												
13												
14												
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16												
17												
18												
19												
20												
21												
22												
23												
24												
25												
26												
27												
28												
29												
30	Totals (Sum L.1 to L.29)											



## Analysis of Common Stock

Year: 2004

Line No.	(a)	Avg. Number of Shares Outstanding (b)	Book Value (per share) (c)	Earnings (per share) (d)	Dividends (per share) (e)	Retention Ratio (f)	Market Price High (g) Low (h)	Price/Earnings Ratio (i)
1	Year Ended December 31:	22840	228.17	8.66	2.50	71.10%	N/A - NOT PUBLICLY TRADED	
2								
3								
4								
5								
6								
7								
8	Month by Month Data:							
9	January							
10	February							
11	March							
12	April							
13	May							
14	June							
15	July							
16	August							
17	September							
18	October							
19	November							
20	December							
21								
22								
23								

MONTHLY DATA NOT REQUIRED AS STATED IN THE INSTRUCTIONS

## Capital Stock and Funded Debt Reacquired or Retired During the Year

Year: 2004

Line No.	Description of Security (a)	Call or Retirement Date (b)	Number of Shares (c)	Principal Amount (d)	Reacquisition or Retirement Cost (e)	Gain or (Loss) (f)	Retirement or Reacquisition (g)
1	NO TRANSACTIONS OF THIS NATURE IN 2004						
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30	Totals (Sum L.1 to L.29)						

**Total Company Expense Matrix**

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
1	*	Network Support Expense						
2	^	Motor Vehicle Expense						
3	^	Aircraft Expense						
4	^	Special Purpose Vehicles Expense						
5	^	Garage Work Equipment Expense						
6	^	Other Work Equipment Expense						
7	*	General Support Expense						
8	^	Land and Building Expense						
9	^	Furniture and Artworks Expense						
10	^	Office Equipment Expense						
11	^	General Purpose Computers Expense						
12	*	Central Office Switching Expense						
13	^	Analog Electronic Expense						
14	^	Digital Electronic Expense						
15	^	Electro-Mechanical Expense						
16		Operator Systems Expense						
17	*	Central Office Transmission Expense						
18	^	Radio Systems Expense						
19	^	Circuit Equipment Expense						
20	*	Information Origination/Termination Expense						
21	^	Station Apparatus Expense						
22	^	Large Private Branch Exchange Expense						
23	^	Public Telephone Terminal Equipment Exp.						
24	^	Other Terminal Equipment Expense						
25	*	Cable and Wire Facilities Expense						
26	^	Poles Expense						
27	^	Aerial Cable Expense						
28	^	Underground Cable Expense						
29	^	Buried Cable Expense						
30	^	Submarine Cable Expense						
31	^	Deep Sea Cable Expense						
32	^	Intrabuilding Network Cable Expense						
33	^	Aerial Wire Expense						
34		<b>Subtotals</b>						

^ Subaccount of the account marked with a \*

## Total Company Expense Matrix

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
35	6441	Conduit Systems Expense						
36	6510	Other Property Expenses						
37	6530	Network Operations Expense						
38	6531	Power Expense						
39	6532	Network Administration Expense						
40	6533	Testing Expense						
41	6534	Plant Operations Expense						
42	6535	Engineering Expense						
43	6540	Access Expense						
44	6561	Depreciation - Telecomm. Plant in Service						
45	6562	Depreciation-Prop. for Future Telecom. Use						
46	6563	Amortization Expense - Tangible						
47	6564	Amortization Expense - Intangible						
48	6565	Amortization - Other						
49	6610	Marketing						
50	6611	Product Management						
51	6612	Sales						
52	6613	Product Advertising						
53	6621	Call Completion Services						
54	6622	Number Services						
55	6623	Customer Services						
56	6711	Executive						
57	6712	Planning						
58	6721	Accounting and Finance						
59	6722	External Relations						
60	6723	Human Relations						
61	6724	Information Management						
62	6725	Legal						
63	6726	Procurement						
64	6727	Research and Development						
65	6728	Other General and Administrative						
66	6790	Provision for Uncollectible Notes Receivable						
67		Totals						

THIS SCHEDULE IS NOT REQUIRED

^ Subaccount of the account marked with a \*.

## Total State Expense Matrix

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
1	*	Network Support Expense						
2	^	Motor Vehicle Expense						
3	^	Aircraft Expense						
4	^	Special Purpose Vehicles Expense						
5	^	Garage Work Equipment Expense						
6	^	Other Work Equipment Expense						
7	*	General Support Expense						
8	^	Land and Building Expense						
9	^	Furniture and Artworks Expense						
10	^	Office Equipment Expense						
11	^	General Purpose Computers Expense						
12	*	Central Office Switching Expense						
13	^	Analog Electronic Expense						
14	^	Digital Electronic Expense						
15	^	Electro-Mechanical Expense						
16		Operator Systems Expense						
17	*	Central Office Transmission Expense						
18	^	Radio Systems Expense						
19	^	Circuit Equipment Expense						
20	*	Information Origination/Termination Expense						
21	^	Station Apparatus Expense						
22	^	Large Private Branch Exchange Expense						
23	^	Public Telephone Terminal Equipment Exp.						
24	^	Other Terminal Equipment Expense						
25	*	Cable and Wire Facilities Expense						
26	^	Poles Expense						
27	^	Aerial Cable Expense						
28	^	Underground Cable Expense						
29	^	Buried Cable Expense						
30	^	Submarine Cable Expense						
31	^	Deep Sea Cable Expense						
32	^	Intrabuilding Network Cable Expense						
33	^	Aerial Wire Expense						
34		<b>Subtotals</b>						

^ Subaccount of the account marked with a \*.

## Total State Expense Matrix

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
35	^	Conduit Systems Expense						
36		Other Property Expenses						
37	*	Network Operations Expense						
38	^	Power Expense						
39	^	Network Administration Expense						
40	^	Testing Expense						
41	^	Plant Operations Expense						
42	^	Engineering Expense						
43		Access Expense						
44		Depreciation - Telecomm. Plant in Service						
45		Depreciation-Prop. for Future Telecom. Use						
46		Amortization Expense - Tangible						
47		Amortization Expense - Intangible						
48		Amortization - Other						
49	*	Marketing						
50	^	Product Management						
51	^	Sales						
52	^	Product Advertising						
53		Call Completion Services						
54		Number Services						
55		Customer Services						
56		Executive						
57		Planning						
58		Accounting and Finance						
59		External Relations						
60		Human Relations						
61		Information Management						
62		Legal						
63		Procurement						
64		Research and Development						
65		Other General and Administrative						
66		Provision for Uncollectible Notes Receivable						
67		<b>Totals</b>						

THIS SCHEDULE IS NOT REQUIRED

^ Subaccount of the account marked with a \*.

**Pension Costs**

Year: 2004

1	Plan Name RONAN TELEPHONE COMPANY PROFIT SHARING PLAN			
2	Defined Benefit Plan? _____	Defined Contribution Plan? _____	X	
3	Actuarial Cost Method? _____	IRS Code: _____ 414i		
4	Annual Contribution by Employer: \$209319 (NOT FINAL)	Is the Plan Over Funded? _____	NO	
5				
	Item	Current Year	Last Year	% Change
6	<b>Change in Benefit Obligation</b>			
7	Benefit obligation at beginning of year			
8	Service cost			
9	Interest Cost			
10	Plan participants' contributions			
11	Amendments			
12	Actuarial Gain			
13	Acquisition			
14	Benefits paid			
15	Benefit obligation at end of year			
16	<b>Change in Plan Assets</b>			
17	Fair value of plan assets at beginning of year			
18	Actual return on plan assets			
19	Acquisition			
20	Employer contribution			
21	Plan participants' contributions			
22	Benefits paid			
23	Fair value of plan assets at end of year			
24	<b>Funded Status</b>			
25	Unrecognized net actuarial loss			
26	Unrecognized prior service cost			
27	Prepaid (accrued) benefit cost			
28				
29	<b>Weighted-average Assumptions as of Year End</b>			
30	Discount rate			
31	Expected return on plan assets			
32	Rate of compensation increase			
33				
34	<b>Components of Net Periodic Benefit Costs</b>			
35	Service cost			
36	Interest cost			
37	Expected return on plan assets			
38	Amortization of prior service cost			
39	Recognized net actuarial loss			
40	Net periodic benefit cost			
41				
42	<b>Montana Intrastate Costs:</b>			
43	Pension Costs			
44	Pension Costs Capitalized			
45	Accumulated Pension Asset (Liability) at Year End			
46	<b>Number of Company Employees:</b>			
47	Covered by the Plan	34	35	
48	Not Covered by the Plan	3	4	
49	Active	34	35	
50	Retired			
51	Deferred Vested Terminated			

THE RONAN TELEPHONE COMPANY DEFINED BENEFIT PENSION PLAN REPORTED IN PAST YEARS HAS BEEN TERMINATED AND IS PENDING APPROVAL BY INTERNAL REVENUE SERVICE AND PENSION BENEFIT GUARANTY CORPORATION.

## Other Post Employment Benefits (OPEBS)

Item	Current Year	Last Year	% Change
<b>1 Regulatory Treatment:</b>			
2 Commission authorized - most recent			
3 Docket number: _____			
4 Order number: _____			
5 Amount recovered through rates			
<b>6 Weighted-average Assumptions as of Year End</b>			
7 Discount rate			
8 Expected return on plan assets			
9 Medical Cost Inflation Rate			
10 Actuarial Cost Method			
11 Rate of compensation increase			
<b>12 List each method used to fund OPEBs (ie: VEBA, 401(h)) and if tax advantaged:</b>			
13			
14			
<b>15 Describe any Changes to the Benefit Plan:</b>			
16			
<b>17 TOTAL COMPANY</b>			
<b>18 Change in Benefit Obligation</b>			
19 Benefit obligation at beginning of year			
20 Service cost			
21 Interest Cost			
22 Plan participants' contributions			
23 Amendments			
24 Actuarial Gain			
25 Acquisition			
26 Benefits paid			
27 Benefit obligation at end of year			
<b>28 Change in Plan Assets</b>			
29 Fair value of plan assets at beginning of year			
30 Actual return on plan assets			
31 Acquisition			
32 Employer contribution			
33 Plan participants' contributions			
34 Benefits paid			
35 Fair value of plan assets at end of year			
<b>36 Funded Status</b>			
37 Unrecognized net actuarial loss			
38 Unrecognized prior service cost			
39 Prepaid (accrued) benefit cost			
<b>40 Components of Net Periodic Benefit Costs</b>			
41 Service cost			
42 Interest cost			
43 Expected return on plan assets			
44 Amortization of prior service cost			
45 Recognized net actuarial loss			
46 Net periodic benefit cost			
<b>47 Accumulated Post Retirement Benefit Obligation</b>			
48 Amount Funded through VEBA			
49 Amount Funded through 401(h)			
50 Amount Funded through Other _____			
51 TOTAL			
52 Amount that was tax deductible - VEBA			
53 Amount that was tax deductible - 401(h)			
54 Amount that was tax deductible - Other _____			
55 TOTAL			

NOT APPLICABLE - RONAN TELEPHONE  
COMPANY HAS NO POST EMPLOYMENT  
BENEFITS



**Other Post Employment Benefits (OPEBS) Continued**

Year: 2004

	Item	Current Year	Last Year	% Change
1	<b>Number of Company Employees:</b>			
2	Covered by the Plan			
3	Not Covered by the Plan			
4	Active			
5	Retired			
6	Spouses/Dependants covered by the Plan			
7	<b>Montana</b>			
8	<b>Change in Benefit Obligation</b>			
9	Benefit obligation at beginning of year			
10	Service cost			
11	Interest Cost			
12	Plan participants' contributions			
13	Amendments			
14	Actuarial Gain			
15	Acquisition			
16	Benefits paid			
17	Benefit obligation at end of year			
18	<b>Change in Plan Assets</b>			
19	Fair value of plan assets at beginning of year			
20	Actual return on plan assets			
21	Acquisition			
22	Employer contribution			
23	Plan participants' contributions			
24	Benefits paid			
25	Fair value of plan assets at end of year			
26	<b>Funded Status</b>			
27	Unrecognized net actuarial loss			
28	Unrecognized prior service cost			
29	Prepaid (accrued) benefit cost			
30	<b>Components of Net Periodic Benefit Costs</b>			
31	Service cost			
32	Interest cost			
33	Expected return on plan assets			
34	Amortization of prior service cost			
35	Recognized net actuarial loss			
36	Net periodic benefit cost			
37	<b>Accumulated Post Retirement Benefit Obligation</b>			
38	Amount Funded through VEBA			
39	Amount Funded through 401(h)			
40	Amount Funded through other _____			
41	TOTAL			
42	Amount that was tax deductible - VEBA			
43	Amount that was tax deductible - 401(h)			
44	Amount that was tax deductible - Other			
45	TOTAL			
46	<b>Montana Intrastate Costs:</b>			
47	Pension Costs			
48	Pension Costs Capitalized			
49	Accumulated Pension Asset (Liability) at Year End			
50	<b>Number of Montana Employees:</b>			
51	Covered by the Plan			
52	Not Covered by the Plan			
53	Active			
54	Retired			
55	Spouses/Dependants covered by the Plan			

## Payments for Services to Persons Other Than Employees

Year: 2004

Line No.	Name of Recipient (a)	Nature of Service (b)	Total Company Cost (c)	Total State Cost (d)	Intrastate Cost (e)
1					
2					
3					
4					
5					
6					
7					
8					
9					
10		THIS SCHEDULE IS NOT REQUIRED			
11					
12					
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43					
44					
45					
46					
47					
48					
49	Total				

## Subscriber Line Usage Data

Year: 2004

Line No.	Description (a)	This Year (b)	% of Total (c)	Last Year (d)	% of Total (e)
1	Toll Usage:				
2	Interstate, InterLATA	14080789	13.00%	12664258	11.74%
3	Interstate, IntraLATA				
4	<b>Total Interstate Usage</b>	14080789	13.00%	12664258	11.74%
5	Intrastate, InterLATA	(1)		(1)	
6	Intrastate, IntraLATA	(1)		(1)	
7	<b>Total Intrastate Usage</b>	18073052	16.68%	19483790	18.07%
8	<b>Total Toll Usage</b>	32153841	29.67%	32148048	29.81%
9	Centrex				
10	Local ESTIMATED	76200000	70.33%	75700000	70.19%
11	<b>Total Minutes</b>	108353841	100.00%	107848048	100.00%

(1) INTRASTATE LONG DISTANCE USAGE IS REPORTED ON A TOTAL STATE BASIS IN ORDER TO AVOID INACCURACIES

Year: 2004

## Central Office and Access Line Statistics

Line No.	Wire Center (a)	Type of Office (b)	Residential (c)	ISDN (d)	ADSL (e)	Lifeline Customers (f)	Residential LMS Customers (g)	Single Line Business (h)	Multi-Line Business (i)	Customer Owned Coin (j)	Company Owned Coin (k)	Other (l)	% of Lines w/ T. Tone (m)	Total Access Lines (n)
1	RONAN 676	DIGITAL	1603		390	192		143	902	4	29	58	100%	3129
2														
3	PABLO 675	DIGITAL	702		129	128		66	255	4	10	6	100%	1172
4														
5														
6														
7														
8														
9														
10														
11														
12														
13														
14														
15	COLUMN L - OTHER													
16	THESE ARE COMPANY LINES FOR OFFICIAL USE AND TESTING													
17														
18														
19														
20														
21														
22														
23														
24														
25														
26														
27														
28														
29														
30														
31														
32														
33	<b>Total</b>		2305		519	320		209	1157	8	39	64	100%	4301

NOTE: Additional blank schedules are being provided for your convenience.

## Central Office and Switch Information

Year: 2004

Line No.	Wire Center (a)	Office Configuration (Host, Remote, Stand alone) (b)	Type of Switch (c)	Switch Vendor/ Manufacturer (d)	Switch Model No. (e)	Switch Line Capacity (f)	Year Deployed (g)
1	676 RONAN	HOST	DIGITAL	SIEMENS	DCO-E	3,780	1991
2							
3	675 PABLO	REMOTE	DIGITAL	SIEMENS	DCO-RLS	1,800	1995
4							
5	676 ROUND BUTTE E	REMOTE	DIGITAL	SIEMENS	DCO-RLS	180	2001
6							
7	676 ROUND BUTTE W	REMOTE	DIGITAL	SIEMENS	DCO-RLS	270	2001
8							
9	676/675 NORTH CROW	REMOTE	DIGITAL	SIEMENS	DCO-RLS	360	1994
10							
11	676 TIMBERLANE	REMOTE	DIGITAL	SIEMENS	DCO-RLS	270	1995
12							
13	676/675 PABLO WEST	REMOTE	DIGITAL	SIEMENS	DCO-RLS	270	2001
14							
15							
16							
17							
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48							

NOTE: Additional blank schedules are being provided for your convenience.

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**Construction Budget - Montana**

Year: 2005

Line No.	Description (a)	2005 (b)
1	<b>Central Office Assets:</b>	
2		
3		
4		
5		
6		
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19		
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21		
22		
23		
24		
25		
26		
27	Total Switching and Central Office Projects over \$500,000	
28	Miscellaneous Central Office Projects not over \$500,000	395000
29	<b>Total Central Office Budget (Total of Line 27 &amp; Line 28)</b>	395000
30	<b>Other Projects over \$500,000:</b>	
31		
32		
33		
34		
35		
36		
37		
38		
39		
40		
41	Total Other Projects over \$500,000	
42	Miscellaneous projects not over \$500,000	250000
43	<b>Total Construction Budget (Total of Lines 29, 41 &amp; 42)</b>	645000

## Montana Employee Counts

Year: 2004

Line No.	Category (a)	Beginning of Year (b)	End of Year (c)
1	GENERAL MANAGEMENT	4	2
2			
3	FINANCE & ACCOUNTING	2	1
4			
5	CENTRAL OFFICE	3	3
6			
7	DATA PROCESSING	2	2
8			
9	OUTSIDE PLANT - GENERAL	5	3
10			
11	OUTSIDE PLANT - SPLICER	1	1
12			
13	OUTSIDE PLANT - CONSTRUCTION TECHNICIANS	2	2
14			
15	COMMERCIAL REPRESENTATIVES	10	10
16			
17	SALES REPRESENTATIVE	1	1
18			
19	ENGINEERING / DRAFTING	2	2
20			
21	HUMAN RESOURCE	1	1
22			
23	ADMINISTRATIVE	2	2
24			
25			
26			
27			
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40			
41			
42			
43	Totals (Sum of Lines 1 through 42)	35	30

## Compensation of Top 10 Montana Based Employees

Year: 2004

Line No.	Name/Title (a)	Base Salary (b)	Bonuses (c)	Other Compensation (d)	Total Compensation (e)	Total Compensation Last Year (f)	% Increase Total Compensation (g)
1	PROPRIETARY INFORMATION						
2							
3							
4							
5							
6							
7							
8							
9							
10							
11	Totals (Sum L.1 to L.10)						



Year: 2004

**Compensation of Top 5 Corporate Employees - SEC Information**

Line No.	Name/Title (a)	Base Salary (b)	Bonuses (c)	Other Compensation (d)	Total Compensation (e)	Total Compensation Last Year (f)	% Increase Total Compensation (g)
1	THIS PAGE IS NOT APPLICABLE						
2							
3							
4							
5							
6	Totals (Sum L.1 to L.5)						

## Montana Composite Statistics

Year: 2004

Line No.	Account No.	Description (a)	Amount (b)
1		<b>Plant (Intrastate Only) (000 Omitted)</b>	
2	2001	Plant in Service	11473
3	2003 - 2004	Construction Work in Progress	489
4	2005	Plant Acquisition Adjustments	
5	2002	Plant Held for Future Use	55
6	1220	Materials & Supplies	48
7		(Less):	
8	3100 - 3400	Depreciation & Amortization Reserves	-6855
9	4360.2	Contributions in Aid of Construction	
10		<b>NET BOOK COSTS</b>	5210
11		<b>Revenues &amp; Expenses (Intrastate Only) (000 Omitted)</b>	
12	5000 - 5300	Operating Revenues	4908
13	6560	Depreciation & Amortization Expenses	568
14		Federal & State Income Taxes	166
15		Other Taxes	84
16		Other Operating Expenses	3872
17		TOTAL Operating Expenses	4690
18		Net Operating Income	218
19		Other Income	
20		Other Deductions	
21		<b>NET INCOME</b>	218
22		<b>Access Lines in Service (Intrastate Only)</b>	
23		Residential Access Lines	2824
24		Business Access Lines	1076
25		PBX Access Lines	290
26		Other Access Lines	111
27		<b>Total Number of Access Lines</b>	4301
28		<b>Average Number of Calls Per Access Line</b>	
29		Local Calls	1400
30		Toll Calls (Intra- or Interstate)	600
31		<b>Total Number of Calls Per Access Line (Total of Line 29 &amp; Line 30)</b>	2000
32		<b>Other Statistics (Intrastate Only)</b>	
33		Average Residential Monthly Bill	42.91
34		Gross Plant Investment per Access Line	2,794

**Depreciation - Montana Intrastate Regulated**

Year: 2004

Line No.	Acct No. (a)	Description (b)	Composite Rate % (c)	Total Expense \$ (d)
1	2112	Motor Vehicles	12.5%	36,938
2	2114	Special Purpose Vehicles	20.0%	21,276
3	2115	Garage Work Equipment		
4	2116	Other work Equipment		
5	2121	Buildings	2.5%	11,426
6	2122	Furniture	10.0%	15,333
7	2123.1	Office Support Equipment		
8	2123.2	Company Communications Equipment	10.0%	5,270
9	2124	General Purpose Computers	20.0%	69,376
10	2211	Analog Electronic Switching Equipment	10.0%	377
11	2212	Digital Electronic Switching Equipment	9.1%	232,661
12	2215	Step By Step Switching Equipment		
13	2215	Crossbar Switching Equipment		
14	2220	Operator System		
15	2231	Radio Systems	10.0%	1,219
16	2232	Circuit DDS		
17	2232	Circuit Digital	10.0%	3,813
18	2232	Circuit Analog	10.0%	14,681
19	2351	Public Telephone Terminating Equipment	10.0%	1,798
20	2362	Other Terminal Equipment		
21	2411	Poles	4.6%	916
22	2421	Aerial Cable Metallic	4.6%	6,065
23	2421	Aerial Cable Nonmetallic		
24	2422	Underground Cable Metallic	4.6%	5,776
25	2422	Underground Cable Nonmetallic		
26	2423	Buried Cable Metallic	4.6%	95,149
27	2423	Buried Cable Nonmetallic	4.6%	25,768
28	2424	Submarine Cable Metallic		
29	2424	Submarine Cable Nonmetallic		
30	2426	Intrabuilding Network Cable Metallic		
31	2426	Intrabuilding Network Cable Nonmetallic		
32	2431	Aerial Wire	12.5%	99
33	2441	Conduit Systems	3.3%	20,446
34				
35		<b>COMPOSITE TOTAL</b>		<b>568,387</b>
36	Have these rates been approved by the Commission? <u>  X  </u> YES <u>      </u> NO			
37				
38				
39	If yes: <u>  80.4.8  </u> Docket Number <u>  4715(b)  </u> Order Number			
40	SPECIFIC RATES WERE NOT ADDRESSED IN THE ABOVE REFERENCED DOCKET, HOWEVER REVENUE, EXPENSE, RATE BASE ETC. WERE ALL REVIEWED AND APPROVED IN THE PROCEEDING			

**Montana Regulatory Capital Structure & Costs**

Year: 2004

Line No.	Description (a)	% Cap. Str. (b)	% Cost Rate (c)	Weighted Cost (d)
	<b>Commission Accepted - Most Recent</b>			
1	Docket Number 80.4.8			
2	Order Number 4715(b)			
3				
4	Common Equity	46.37%	12.600%	5.843%
5	Preferred Stock			
6	Long Term Debt	53.63%	9.080%	4.870%
7	Other			
8	<b>Total</b>	100.00%		10.712%
9				
10	<b>Actual at Year End</b>			
11				
12	Common Equity	100.00%	12.600%	12.600%
13	Preferred Stock			
14	Long Term Debt			
15	Other			
16	<b>Total</b>	100.00%		12.600%

**Network Access - Charges and Revenues**

Year: 2004

Line No.	Description (a)	Access Charges Paid (b)	Access Revenues Received (c)
1	Montana - Total State		3030830
2			
3	Montana - Intrastate		1717648
4			
5	Montana - Intrastate Regulated		1717648
6			
7			
8			
9			
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11			
12			
13			

## Affiliate Transactions - Products &amp; Services Provided to Utility

Year: 2004

Line No.	Affiliate Name (a)	Products & Services (b)	Method to Determine Price (c)	Charges to Utility (d)	% Total Affil. Revenues (e)	Charges to MT Utility (f)
1	RTC ANSWERING LLC	DIRECTORY ASSISTANCE, DISPATCH & TECH SUPPORT	COMPARISON TO NON-AFFILIATED VENDOR	59,161	10.3%	59,161
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27						
28						
29						
30	<b>TOTAL</b>			\$59,161		\$59,161

# **Affiliate Transactions - Products & Services Provided by Utility**      Year: 2004

Line No.	Affiliate Name (a)	Products & Services (b)	Method to Determine Price (c)	Charges to Affiliate (d)	% Total Affil. Revenues (e)	Charges to MT Utility (f)
1	RTC ANSWERING LLC	TELEPHONE SERVICE	TARIFFED RATES	24,309	4.3%	
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29						
30	<b>TOTAL</b>			\$24,309		

## Montana Intrastate Regulated Earned Rate of Return

Year: 2004

Line No.	Description Rate Base (a)	This Year (b)	Last Year (c)	Percent Change (d)
1				
2	2001 Plant in Service	11,472,866	10,845,844	5.78%
3	2002 Prop. Held for Future Telecommunications Use	55,022	15,966	244.62%
4	3100-3200 (Less) Accumulated Depreciation	(6,854,835)	(6,308,766)	-8.66%
5	<b>Plant in Service</b>	<b>4,673,053</b>	<b>4,553,044</b>	<b>2.64%</b>
6				
7	<b>Additions</b>			
8	1220 Materials & Supplies	48,300	36,650	31.79%
9	1280 Prepayments			
10	Other Additions (1) CASH WORKING CAPITAL	306,485	312,471	-1.92%
11	<b>TOTAL Additions</b>	<b>354,785</b>	<b>349,121</b>	<b>1.62%</b>
12				
13	<b>Deductions</b>			
14	4100 Current Deferred Operating Income Taxes	(66,335)	(59,957)	-10.64%
15	4320 Unamortized Operating Investment Tax Credits			
16	4340 Noncurrent Deferred Operating Income Taxes	1,060,200	996,636	6.38%
17	Customer Advances for Construction			
18	Other Deductions			
19	<b>TOTAL Deductions</b>	<b>993,865</b>	<b>936,679</b>	<b>6.11%</b>
20	<b>TOTAL Rate Base</b>	<b>4,033,973</b>	<b>3,965,486</b>	<b>1.73%</b>
21				
22	<b>Net Earnings</b>	<b>218,209</b>	<b>212,280</b>	<b>2.79%</b>
23				
24	<b>Rate of Return on Average Rate Base</b>	<b>5.409%</b>	<b>5.353%</b>	<b>1.05%</b>
25				
26	<b>Rate of Return on Average Equity</b>	<b>4.187%</b>	<b>3.370%</b>	<b>24.24%</b>
27				
28	Major Normalizing Adjustments & Commission			
29	<u>Ratemaking adjustments to Utility Operations</u>			
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42				
43	<b>Adjusted Rate of Return on Average Rate Base</b>	<b>5.409%</b>	<b>5.353%</b>	<b>1.05%</b>
44				
45	<b>Adjusted Rate of Return on Average Equity</b>	<b>4.187%</b>	<b>3.370%</b>	<b>24.24%</b>

(1) AS ALLOWED IN COMMISSION ORDER NO. 4715(b)  
DOCKET NO. 80.4.8

**Other Taxes Paid**

Year: 2004

Line No.	Description (a)	Last Year (b)	This Year (c)
1	Montana Telephone Company License Tax		
2	Montana Public Service Commission Tax	7316	8468
3	Montana Consumer Counsel Tax	2899	3199
4	911 Emergency Telephone Fee	23224	22013
5	Montana Telecommunications Access Service (TDD)	4616	4371
6	Montana Corporate License Tax	11698	13184
7	Personal Property Tax	4624	9899
8	Real Property Tax	19292	20352
9			
10			
11			
12	<b>Total</b>	73669	81486

Company Name: RONAN TELEPHONE COMPANY

**Universal Service Funds Received**

Year: 2004

Line No.	Description (a)	Last Year (b)	This Year (c)
13	Funds received from Montana Sources		
14	Funds received from Federal Sources	496170	552360
15			
16			
17			
18			
19			
20			
21			
22			
23			
24	<b>Total</b>	496170	552360